

## STATUTORY FUNDING FORMULA COSTS

A majority of General Fund expenditures are determined by statutory funding formulas. These “mandatory” items are those that would require a change in permanent statute in order to spend at a level other than determined by current law.

*Attachment A* displays all of the major programs that have their funding determined by some type of statutory funding formula. The majority of this spending consists of Title XIX State Match in the AHCCCS, Department of Health Services and Department of Economic Security budgets, K-12 Education formula funding, and School Facilities Board funding. In total, funding formula spending makes up approximately \$4.7 billion of the state budget in FY 2005. This represents about 64% of total General Fund spending and leaves \$2.6 billion in non-formula spending in FY 2005. In comparison, statutory formulas constituted 62% of spending in FY 2003.

Laws 1995, Chapter 196 added language to many programs traditionally defined as “mandatory” to clarify that the Legislature is under no obligation to fund the programs beyond the original appropriation. Specifically, Chapter 196 added a general provision (A.R.S. § 1-254) that no statute construes a requirement for the expenditure of state monies in excess of a specific legislative appropriation. It then added this same language to a number of specific programs, such as AHCCCS, Community Colleges operating state aid, Foster Care and a number of other programs within the Department of Economic Security, K-12 funding formulas, and Behavioral Health and Children’s Rehabilitative Services within the Department of Health Services. The Chapter 196 language has yet to be used in an attempt to cap any spending program at its appropriated level.

**Statutory Funding Formula  
General Fund Expenditures**

<u>Agency</u>	<u>FY 2005</u>	<u>Comments</u>
Arts Commission - Arts Endowment Fund	2,000,000	
AHCCCS		
- Title 19 State Match	547,823,500	Excludes Administration, Dispro Share, Critical Access. Includes approximately \$80 M in federal optional services which are required by state law. Includes county hold harmless.
- Proposition 204 State Match	169,264,400	
- Title 21 (KidsCare) State Match	22,772,800	
Board of Regents	2,251,200	Financial Assistance
Community Colleges	143,615,000	District Operating, Capital and Equalization Aid
Economic Security, Dept. of		
- Title XIX Long-Term Care State Match	193,790,800	
- TANF Cash Benefits	64,378,600	
- Institutional Support Payments	-	Suspended in FY 05
- Tuberculosis Control	32,200	
- Child Care - Day Care subsidy	70,032,900	Reflects GF appropriation in Day Care Subsidy SLI
Education, Dept. of		
- Basic State Aid	2,755,754,900	Does not payoff \$191M K-12 rollover
- Additional State Aid	296,669,700	
- Special Education Vouchers	31,093,500	
Environmental Quality, Dept. of	10,000,000	\$15 Million WQARF statutory transfer suspended in FY 05
Emergency & Military Affairs, Dept. of		
- Governor's Emergency Fund	4,000,000	
Health Services, Dept. of		
- Title XIX State Match	152,162,400	Behavioral Health and CRS. Excludes Administration. Includes premium tax.
- Proposition 204 State Match	15,969,100	
Judiciary		
- Judges' Salaries	11,655,200	State pays 50% of Superior Court salaries
- Juvenile Probation	20,880,200	Probation officers ratio in statute
- Adult Probation	21,721,900	Probation officers ratio in statute; Maricopa County paid for its adult probation programs in FY 04 & FY 05. Probation officer ratios are suspended in Maricopa through FY 05. Judiciary budget was reduced by \$24.5 M as a result of this cost shift.
Land Department	3,000,000	Wildfire Emergency
State Parks Board	20,000,000	Growing Smarter
School Facilities Board		
- Building Renewal	70,000,000	Formula generated \$135 M for FY 05, but was suspended
- New Schools Facilities Fund	43,009,600	Debt service payment
Tourism	11,963,600	
State Treasurer	2,775,500	Justice of the Peace salaries - Permanent law requires the state to pay 40% of JP's salaries. FY 05 session law set formula at 38.5%.
Water Resources, Dept. of	-	\$5 Million Water Protection Fund deposit suspended in FY 05
<b>TOTAL GF FUNDING FORMULA EXPENDITURES</b>	<b>\$ 4,686,617,000</b>	
Total General Fund Expenditures	7,285,121,200	Includes triggered appropriations, excludes Ladewig and Deficiency Corrections
Less: GF Funding Formula Expenditures	(4,686,617,000)	
<b>Net Non-Formula Spending</b>	<b>2,598,504,200</b>	